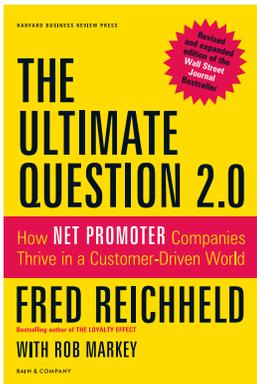


# Loyalty Insights

## Closing the loop

By Rob Markey and Fred Reichheld



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If your in-box is like ours, it probably fills up with customer surveys—from hotels, insurance companies, online merchants, credit card providers and so on. Chances are, you will never fill them out, and for good reasons. The surveys usually ask for “a few minutes of your time” but then require 15 or 20 minutes to complete. Worse, you never get an acknowledgment beyond an automated thank you. You have no way of knowing whether the company actually read your survey, thought about the issues you raised and took action to improve things. Where’s the incentive to invest your time?

Contrast that all-too-typical experience with one that Fred had a while ago. One day, a survey popped up on his mobile phone. It was from his cellular carrier, Verizon Wireless, and it was just a few questions, including the “ultimate” one: *How likely would you be to recommend us to a friend or colleague?* Fred keyed in the score he felt the company deserved at the time—a 3 out of a possible 10.

A few days later, he got a call from a Verizon area manager. She said that she had received his feedback, and she asked if he would take a few minutes to discuss how she might help improve his experience. Fred launched into a list of complaints about mobile phones: complex pricing schemes, contracts designed to trap customers into wasting minutes and so on. The manager apologized for these common industry practices and explained that Verizon was committed to changing many of them. She added that she had analyzed Fred’s recent bills and was confident that Verizon had a more suitable plan for him. She promised that her store manager would be in touch shortly with a proposed set of changes—and indeed, the manager did get in touch, eventually mailing new contracts that were much better matched to Fred’s needs.

Look closely at what happened here. Fred’s response to Verizon Wireless’s customer survey didn’t disappear into a black hole, the fate of most survey responses. Instead, a Verizon manager closed the loop with her customer, acknowledging his feedback and probing to learn exactly what his concerns were. Another manager then fixed the immediate problem. Closing the loop in this manner had a lot of positive effects on Fred. It gave him a better plan and turned him into a far more satisfied subscriber than he had been. It made him feel

that the feedback he gave was worth his time, because someone was listening.

But the effects of closing the loop don’t stop there. The two managers involved got the satisfaction of giving a customer more of what he wanted. Other people in the company benefited as well, because Verizon shares this kind of feedback. Marketers and operations people gathered new data that could help them revamp customer-unfriendly policies and procedures. The company gained a customer who was more likely to provide thoughtful feedback in the future.

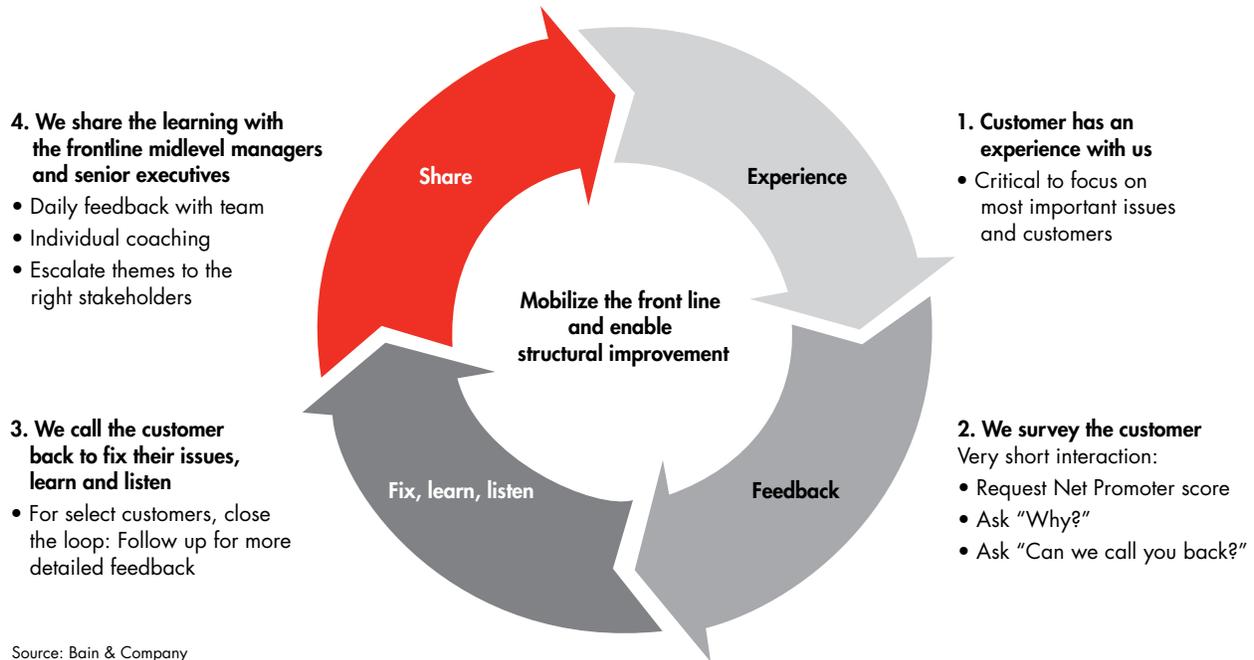
Closing the loop is a central element of the Net Promoter® system. To close the loop is not only to let customers know that you have heard their feedback but also to bring the customer’s voice right inside the organization. Employees get a direct line to the people they are serving. They see and hear how they are creating or destroying loyalty and what they can do to improve matters. The feedback provides immediate, compelling reasons to up their game, fix problems and come up with innovations that will make for a better customer experience. It offers the satisfaction of a job well done when the comments are positive, and it provides course corrections and incentives for improvement when they are negative.

### **Closing the loop at the front line**

The process begins with those follow-up calls and emails. Leading Net Promoter organizations, such as Charles Schwab and Apple’s retail division, work hard to contact every customer who gives the company a negative rating or registers a complaint, and to do so within 24 hours. The prompt response communicates the message that the firm really does care about that customer. It also ensures that the disappointing event is still fresh

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Figure 7: Closed-loop feedback



in the customer’s mind. Before calling, Schwab managers and supervisors check with frontline employees to make sure they have the context and background to help resolve the problem. Apple’s system automatically forwards details to the store manager concerning the customer and the transaction, along with the customer’s score and verbatim comments. Both companies thus maximize the chances that they can deliver the reward a customer is seeking—a resolution of the issue at hand.

The Net Promoter leaders then share the customer’s feedback—both the original responses and the follow-ups—with frontline employees. When possible, they share not just summaries or excerpts but also verbatim comments. At Progressive Insurance, for example, supervisors who close the loop with unhappy customers record the call (with permission) and then forward the digital voice file to the employee who served that customer. Hearing the customer’s actual voice lets the employee absorb the tone and feel the emotional impact. That alone often motivates learning and changes in behavior, with little additional coaching required.

Closing the loop also enables frontline employees and managers to identify processes and policies they may need to address as a group. In one of Allianz’s European health insurance operations, feedback suggested that unexplained delays were a big source of customers’ frustrations. When claims representatives closed the loop with dissatisfied customers, they discovered that customers had to call back repeatedly about the status of payments and that they were expected to describe their medical conditions again and again. So a group of reps and supervisors figured out a process solution. On the initial call, the company would assign a case manager to the policyholder, and that case manager would handle all contact until the claim was resolved. To help manage customer expectations, any delay in the reimbursement process would trigger a call or text message informing the policyholder of the claim’s status. Soon after implementing the new protocol, the claims unit saw a double-digit increase in its Net Promoter® scores (NPS®) and a significant rise in policy renewal rates.

## Closing the loop with midlevel managers

Middle managers in operations, product development, marketing and finance must convert strategies into products, processes and policies that attract and retain high-value customers. If these managers don't have a steady flow of direct customer feedback, tight budgets and other constraints can lead them to focus on departmental goals and to shunt customer experience to the sideline. If they do receive direct customer feedback, they can avoid making poor trade-offs. For instance, instead of spreading improvement efforts equally across every touchpoint, managers can focus on the few that really build or destroy loyalty.

For American Express, one of those vital touchpoints was the replacement of lost or stolen cards. While reviewing the service and operational processes that created the most detractors, company analysts noticed that many initial requests for card replacements went unresolved, requiring a second service call by the customer. Even more alarming, the analysts discovered that the highest-value customers not only experienced a need for card replacement more often than average, but also that their Net Promoter scores after a card replacement event were almost 25 points lower than the average among other customers. Responding to these findings, operations managers pulled process improvement teams off other, less urgent initiatives and focused them on card replacements. The teams developed new replacement protocols and improved internal processes. These changes increased first-call resolution rates by more than 20% and raised high-value customers' NPS to parity with other customers' scores.

Logitech, the computer peripherals manufacturer, gathers Net Promoter feedback for each of its products, thus closing the loop between customers and the engineers and managers who design and develop the company's offerings. Such feedback helped product designers understand, for example, that Logitech's MX 5000 keyboard—its first with Bluetooth capability—suffered from a couple of key drawbacks: for one, many customers found its LCD screen hard to read. The designers were able to address these problems in the next model.

As with frontline feedback, successful companies try to ensure that middle managers and technical teams hear the customer's voice directly. One Logitech executive describes the importance of that process.

*There was a real temptation to build a staff group that could gather the customer feedback and interpret it for the engineers, whose time is precious. But we didn't do that. We made sure the customer scores and verbatims got pushed directly to the product teams so they could affect their thinking. The product teams understood the products better than any central group could. They knew the design trade-offs being considered for upcoming products, and they could make the emotional connection to the end user.*

“Reading a comment from a customer promoter or detractor,” the executive concluded, “has far more impact than looking at a statistic on a monthly report from headquarters.”

## Closing the loop with senior executives

The job of an organization's top executives is to shape major strategy and resource allocation decisions. Feedback from customers has always been important in that process, but it is more important than ever today. The reason is that markets and technologies are changing so fast. The strategy you embarked on a year or even six months ago may need to be altered in light of current conditions. Making the right changes nearly always involves good information about what your target customers are thinking, feeling and doing.

So most Net Promoter companies have crafted ways for senior leaders to learn about customers' concerns directly. At Cancer Treatment Centers of America (CTCA), every board meeting takes place at one of the company's medical facilities rather than in an isolated headquarters conference room. The meeting begins with a patient talking about his or her recent experience at the center. At Rackspace, the IT system routes several customer survey responses each week to CEO Lanham Napier, who then calls those customers. (Napier also adopted CTCA's board-meeting practice as soon as he learned of it.) Many large companies use software to

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analyze customer responses and summarize high-priority issues. Executives examining the patterns can then determine which items require immediate attention from the top and which should inform the company's strategic priorities. Apple, for example, discovered that its popular products and eye-catching store design were not the No. 1 reasons cited by customers who loved shopping at its stores. Rather, the top reason for promoters' enthusiasm was the friendly, helpful and knowledgeable service received from store employees. That message reinforced executives' commitment to investing in hiring, training and developing outstanding store personnel.

### **Why doesn't everyone gather feedback this way?**

To be most useful, feedback from customers should be both fast and granular. The usual monthly or quarterly customer surveys, which aggregate thousands of responses into a statistical summary, aren't sufficient. Ideally, customer comments, reactions and scores should

go directly to the departments and individual employees responsible for the products or services in question, and they should arrive as frequently as possible. Gathering regular feedback in this manner is a big job. Schwab, Apple, Progressive and other Net Promoter leaders have invested substantial resources in creating robust feedback mechanisms involving both sophisticated IT systems and well-developed management processes. It takes time and money to build such mechanisms, and many companies seem to decide that the investment isn't worthwhile.

In the meantime, however, they continue to clutter up everyone's in-boxes with surveys that are essentially worthless. In our view, it would be far better for them to spend the money, develop effective feedback systems and learn what their customers really want to tell them. 

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